

WELFARE REFORM HAS BEEN A SUCCESS

January 2005

Summary: Welfare reform is a huge success – work is up, caseloads have been cut in half, and child poverty is down significantly – exactly the opposite of what opponents said would occur.

The 1996 welfare reform law has been a huge success in promoting work.

- States have overhauled their welfare programs to stress work, as required by the 1996 law.
- The percentage of working welfare recipients has more than doubled from 11.3 percent in 1996 to 25.3 percent in FY2002. (TANF 6th Annual Report to Congress)
- The poorest 20 percent of single mother families reported a 67 percent increase in their earnings between 1995 and 2002, after adjusting for inflation, and the next quintile of single mothers saw their average earnings grow by more than \$4,000 between 1995 and 2002. (CRS)
- Single mothers' real wages continued to increase during the 2000-2004 period, despite the 2001 recession and terrorist attacks. (Urban Institute, Single Parents' Earnings Monitor, January 2005).

Caseload declines resulted from millions of families leaving – or never going on – cash welfare.

- Cash welfare caseloads fell 60 percent nationwide, to their lowest levels since 1965, as nearly 3 million families and 9 million recipients left the rolls since 1994. (HHS)
- This change is unprecedented in American history.
- In Wisconsin caseloads fell over 80 percent; welfare no longer exists in some counties. (HHS)
- Good economic times alone can't explain this decline. For example, in the 1980s expansion when a net 18 million new jobs were created, welfare caseloads actually grew 12 percent.
- During the recession year of 2001 and its aftermath in 2002, caseloads declined another 5 percent, on top of unprecedented prior declines.
- Because caseloads were cut in half while Temporary Assistance for Needy Families (TANF) funds were fixed and child care funds grew, Federal funds per TANF family more than doubled to nearly \$16,000 per year. This is critical to help parents with barriers enter work.

Significantly, child poverty has fallen as welfare has been reformed.

- Opponents of welfare reform predicted 1 million children would be cast into poverty. (Children's Defense Fund, Urban Institute)
- In contrast, 1.4 million children have been lifted out of poverty since 1996, despite the 2001 recession. (Census)
- The black child poverty rate and the Hispanic child poverty rate hit a record low in 2001 and remained near these record lows in 2002 and 2003. (Census)

Welfare success has been fueled by a generous system of work supports for needy families.

- Safety net programs such as Workforce Investment Act job training and education services, child care funds, Medicaid, and Earned Income Credits, have been strengthened over time to help families find and keep jobs and leave welfare. So now parents who accept even minimum wage jobs are financially better off than they were on welfare. (CRS Testimony, April 3, 2001).
- In all, Federal and State means-tested benefits totaled more than \$500 billion in FY 2002, up from about \$200 billion in 1990. (Ways and Means Green Book 2004) Clearly we are not reforming welfare "on the cheap".

There is still a lot more work to do.

- Despite the success of reforms to date, too many families break up or never form, and teen childbearing remains at epidemic levels in low-income areas. Today, one out of every three births occurs outside of marriage, including nearly seven in ten births to black mothers. (CDC) These factors ensure that millions of children will remain at risk of welfare dependence in the future.
- Most welfare recipients do not work or engage in work-preparation activities today. (HHS)
- The share of current welfare recipients engaged in work or training has fallen in three of the last four years.
- Many parents have limited skills and work experience. So states must continue to promote work and help parents find and keep jobs.
- The House Republican welfare reauthorization bill (H.R. 240) addresses these continued needs, while providing up to \$4 billion more for child care needs in the next 5 years.